

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	22
Statement of Changes in Net Assets	K	23
Notes to Financial Statements		24-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	38
Fiduciary Fund, Private Purpose Trust:		
Combining Balance Sheet	4	39
Combining Statement of Revenues, Expenses and Changes in Net Assets	5	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		42-43
Schedule of Findings		44-47

East Central Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 election)		
Steve Gendreau	President	2008
Ray Naeve	Vice President	2008
Charles Jargo	Board Member	2006
Sharon Marshall	Board Member	2007
Warren Koch	Board Member	2007
Board of Education (After September 2006 election)		
Steve Gendreau	President	2008
Ray Naeve	Vice President	2008
Sharon Marshall	Board Member	2007
Warren Koch	Board Member	2007
Charles Jargo	Board Member	2009
School Officials		
James House	Superintendent	2007
Sandra Hansen	District Secretary and Treasurer	2007
Brian Gruhn	Attorney	2007

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
East Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Central Community School District, Miles, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Central Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 24, 2008 on our consideration of East Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,417,572 in fiscal 2006 to \$3,317,130 in fiscal 2007, while General Fund expenditures increased from \$3,345,660 in fiscal 2006 to \$3,628,343 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$916,949 in fiscal 2006 to \$605,736 in fiscal 2007, a 33.94% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local tax and local tuition revenues in fiscal 2007. The increase in expenditures was due primarily to increases in negotiated salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of East Central Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which East Central Community School District acts solely as an agent or custodial for the benefit of those outside of District government.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
East Central Community School District Annual Financial Report

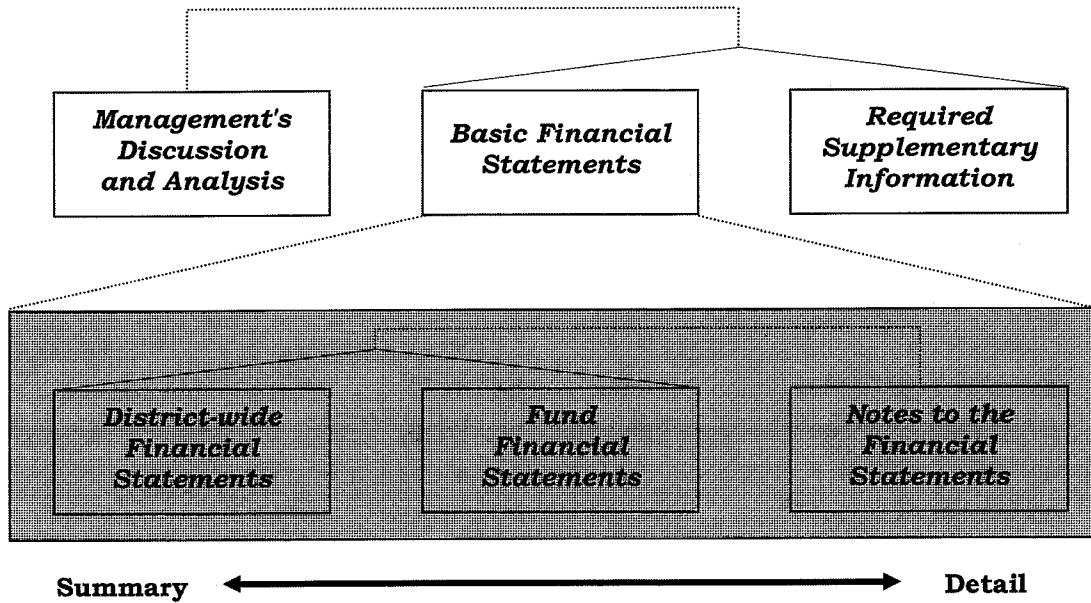


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund, the Self-Funded Health Insurance Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 2,522,512	2,725,754	59,835	50,712	2,582,347	2,776,466	-6.99%
Capital assets	883,508	643,104	10,726	10,553	894,234	653,657	36.80%
Total assets	3,406,020	3,368,858	70,561	61,265	3,476,581	3,430,123	1.35%
Long-term obligations	111,635	0	0	0	111,635	0	100.00%
Other liabilities	1,728,495	1,608,482	3,132	3,637	1,731,627	1,612,119	7.41%
Total liabilities	1,840,130	1,608,482	3,132	3,637	1,843,262	1,612,119	14.34%
Net assets:							
Invested in capital assets, net of related debt	771,873	643,104	10,726	10,553	782,599	653,657	19.73%
Restricted	172,731	178,439	0	0	172,731	178,439	-3.20%
Unrestricted	621,286	938,833	56,703	47,075	677,989	985,908	-31.23%
Total net assets	\$ 1,565,890	1,760,376	67,429	57,628	1,633,319	1,818,004	-10.16%

The District's combined net assets decreased by 10.16%, or \$184,685, under the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$5,708, or 3.20% over the prior year. The decrease was primarily due to the decreases in the Other Nonmajor Governmental Funds balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other

legal requirements – decreased \$307,919, or 31.23%. The decrease was primarily due to the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and June 30, 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 168,736	235,514	89,965	86,352	258,701	321,866	-19.62%
Operating grants and contributions and restricted interest	447,739	412,578	70,240	70,387	517,979	482,965	7.25%
General revenues:							
Property tax	1,234,191	1,295,644	0	0	1,234,191	1,295,644	-4.74%
Local option sales and services tax	237,964	221,709	0	0	237,964	221,709	7.33%
Unrestricted state grants	1,574,374	1,551,901	0	0	1,574,374	1,551,901	1.45%
Unrestricted investment earnings	57,194	56,665	2,672	1,782	59,866	58,447	2.43%
Other general revenues	19,312	31,332	0	0	19,312	31,332	-38.36%
Transfers	(21,309)	0	0	0	(21,309)	0	-100.00%
Total revenues	3,718,201	3,805,343	162,877	158,521	3,881,078	3,963,864	-2.09%
Program expenses:							
Governmental activities:							
Instructional	2,478,283	2,367,245	0	0	2,478,283	2,367,245	4.69%
Support services	1,263,375	1,193,024	1,535	0	1,264,910	1,193,024	6.03%
Non-instructional programs	0	3,758	151,541	148,485	151,541	152,243	-0.46%
Other expenses	171,029	155,227	0	0	171,029	155,227	10.18%
Total expenses	3,912,687	3,719,254	153,076	148,485	4,065,763	3,867,739	5.12%
Changes in net assets	(194,486)	86,089	9,801	10,036	(184,685)	96,125	-292.13%
Beginning net assets	1,760,376	1,674,287	57,628	47,592	1,818,004	1,721,879	5.58%
Ending net assets	\$ 1,565,890	1,760,376	67,429	57,628	1,633,319	1,818,004	-10.16%

Property tax, local option sales and services tax and unrestricted state grants account for 81.94% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.36% of the revenue from business type activities.

The District's total revenues were approximately \$3.88 million of which \$3.72 million was for governmental activities and less than \$0.16 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.09% decrease in revenues and a 5.12% increase in expenses. The decrease in revenues was due to decreased property tax and tuition charges for services the District received during fiscal 2007. The increases in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues, net transfers for governmental activities were \$3,718,201 and expenses were \$3,912,687. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 2,478,283	2,367,245	4.69%	1,987,210	1,841,183	7.93%
Support services	1,263,375	1,193,024	5.90%	1,263,375	1,193,024	5.90%
Non-instructional programs	0	3,758	-100.00%	0	3,758	-100.00%
Other expenses	171,029	155,227	10.18%	45,627	33,197	37.44%
Totals	\$ 3,912,687	3,719,254	5.20%	3,296,212	3,071,162	7.33%

- The cost financed by users of the District's programs was \$168,736.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$447,739.
- The net cost of governmental activities was financed with \$1,234,191 in property tax, \$237,964 in local option sales and services tax, \$1,574,374 in unrestricted state grants, \$57,194 in interest income and \$19,312 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$162,877 and expenses were \$153,076. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the East Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$773,176, below last year's ending fund balance of \$1,095,388. The primary reason for the decrease in combined fund balance in fiscal 2007 is due to increases in negotiated salary and benefits in the General Fund.

Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. The decrease in revenues for 2007 and increase in expenditures forced the District to use carryover balance to meet financial obligations during the year. This guaranteed the decline in General Fund balance.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$57,628 at June 30, 2006 to \$67,429 at June 30, 2007, representing an increase of 17.01%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$2,931 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the of the District's budgetary practice, the certified budget was exceeded in the support services and other expenses functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$894,234, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 36.80% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$110,293.

The original cost of the District's capital assets was \$3,602,538. Governmental funds account for \$3,570,283 with the remainder of \$32,255 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$221,148 at June 30, 2006, compared to \$379,263 reported at June 30, 2007. This increase was due to playground improvements made during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 6,827	6,827	0	0	6,827	6,827	0.00%
Buildings	338,285	281,925	0	0	338,285	281,925	19.99%
Land improvements	379,263	221,148	0	0	379,263	221,148	71.50%
Machinery and equipment	159,133	133,204	10,726	10,553	169,859	143,757	18.16%
Total	\$ 883,508	643,104	10,726	10,553	894,234	653,657	36.80%

Long-Term Debt

At June 30, 2007, the District had \$111,635 in revenue bonded long-term debt outstanding. This represents an increase of 100% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had \$111,635 in revenue bonded indebtedness at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2007	2006	Change
Revenue bonds	\$ 111,635	0	100.00%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra Hansen, District Board Secretary, East Central Community School District, P.O. Box 367, Miles, Iowa, 52064.

BASIC FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,124,933	53,483	1,178,416
Receivables:			
Property tax:			
Delinquent	35,581	0	35,581
Succeeding year	1,264,556	0	1,264,556
Accounts	910	0	910
Due from other governments	96,532	0	96,532
Inventories	0	6,352	6,352
Capital assets, net of accumulated depreciation (Note 4)	883,508	10,726	894,234
TOTAL ASSETS	3,406,020	70,561	3,476,581
LIABILITIES			
Accounts payable	157,058	0	157,058
Salaries and benefits payable	306,881	2,366	309,247
Deferred revenue:			
Succeeding year property tax	1,264,556	0	1,264,556
Unearned revenue	0	766	766
Long-term liabilities (Note 5):			
Portion due within one year:			
Revenue bonds payable	23,592	0	23,592
Portion due after one year:			
Revenue bonds payable	88,043	0	88,043
TOTAL LIABILITIES	1,840,130	3,132	1,843,262
NET ASSETS			
Invested in capital assets, net of related debt	771,873	10,726	782,599
Restricted for:			
Beginning teacher mentoring	830	0	830
Salary improvement program	1,117	0	1,117
Professional development	414	0	414
Market factor	2,890	0	2,890
Phase II	40	0	40
Management levy	66,025	0	66,025
Physical plant and equipment levy	1,710	0	1,710
Capital projects	64,272	0	64,272
Other special revenue purposes	35,433	0	35,433
Unrestricted	621,286	56,703	677,989
TOTAL NET ASSETS	\$ 1,565,890	67,429	1,633,319

SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants, Contributions and Restricted Interest		Govern- mental Activities	Business- Type Activities
Expenses					Total
Functions/Programs:					
Governmental activities:					
Instruction:					
Regular instruction	\$ 1,574,171	88,764	293,971	(1,191,436)	0
Special instruction	588,486	3,870	19,626	(564,990)	0
Other instruction	315,626	76,102	8,740	(230,784)	0
	2,478,283	168,736	322,337	(1,987,210)	0
Support services:					
Student services	124,014	0	0	(124,014)	0
Instructional staff services	179,186	0	0	(179,186)	0
Administration services	369,658	0	0	(369,658)	0
Operation and maintenance of plant services	350,145	0	0	(350,145)	0
Transportation services	240,372	0	0	(240,372)	0
	1,263,375	0	0	(1,263,375)	0
Other expenditures:					
AEA flowthrough	125,402	0	125,402	0	0
Depreciation (unallocated) *	45,627	0	0	(45,627)	0
	171,029	0	125,402	(45,627)	0
Total governmental activities	3,912,687	168,736	447,739	(3,296,212)	0
Business-Type activities:					
Support services:					
Operation and maintenance of plant services	1,535	0	0	0	(1,535)
Non-instructional programs:					
Nutrition services	151,541	89,965	70,240	0	8,664
Total business-type activities	153,076	89,965	70,240	0	7,129
Total	\$ 4,065,763	258,701	517,979	(3,296,212)	7,129
General Revenues and Transfers:					
General Revenues:					
Property tax for:					
General purposes			\$ 1,203,401	0	1,203,401
Capital outlay			30,790	0	30,790
Local option sales and services tax			237,964	0	237,964
Unrestricted state grants			1,574,374	0	1,574,374
Unrestricted investment earnings			57,194	2,672	59,866
Other general revenues			19,312	0	19,312
Transfers			(21,309)	0	(21,309)
Total general revenues and transfers			3,101,726	2,672	3,104,398
Changes in net assets			(194,486)	9,801	(184,685)
Net assets beginning of year			1,760,376	57,628	1,818,004
Net assets end of year			\$ 1,565,890	67,429	1,633,319

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments	\$ 991,618	112,474	1,104,092
Receivables:			
Property tax:			
Delinquent	32,442	3,139	35,581
Succeeding year	1,210,187	54,369	1,264,556
Accounts	910	0	910
Due from other governments	39,622	56,910	96,532
TOTAL ASSETS	\$ 2,274,779	226,892	2,501,671
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 154,768	2,290	157,058
Salaries and benefits payable	304,088	2,793	306,881
Deferred revenue:			
Succeeding year property tax	1,210,187	54,369	1,264,556
Total liabilities	1,669,043	59,452	1,728,495
Fund balances:			
Reserved for:			
Beginning teacher mentoring	830	0	830
Salary improvement program	1,117	0	1,117
Professional development	414	0	414
Market factor	2,890	0	2,890
Phase II	40	0	40
Unreserved:			
General	600,445	0	600,445
Management levy	0	66,025	66,025
Physical plant and equipment levy	0	1,710	1,710
Capital projects	0	64,272	64,272
Other special revenue purposes	0	35,433	35,433
Total fund balances	605,736	167,440	773,176
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,274,779	226,892	2,501,671

SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 773,176
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	883,508
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	20,841
Long-term liabilities, including revenue bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(111,635)</u>
Net assets of governmental activities (page 13)	<u>\$ 1,565,890</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,122,329	349,826	1,472,155
Tuition	92,634	0	92,634
Other	88,180	72,466	160,646
State sources	1,877,784	88	1,877,872
Federal sources	135,501	0	135,501
Total revenues	3,316,428	422,380	3,738,808
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,553,590	8,426	1,562,016
Special instruction	588,486	0	588,486
Other instruction	249,613	67,821	317,434
	2,391,689	76,247	2,467,936
Support services:			
Student services	124,014	0	124,014
Instructional staff services	181,098	0	181,098
Administration services	371,592	135	371,727
Operation and maintenance of plant services	239,699	35,577	275,276
Transportation services	194,849	78,631	273,480
	1,111,252	114,343	1,225,595
Other expenditures:			
Facilities acquisitions	0	333,115	333,115
Long-term debt:			
Principal	0	6,324	6,324
AEA Flowthrough	125,402	0	125,402
	125,402	339,439	464,841
Total expenditures	3,628,343	530,029	4,158,372
Deficiency of revenues under expenditures	(311,915)	(107,649)	(419,564)
Other financing sources(uses):			
Transfers in	0	6,324	6,324
Transfers out	0	(27,633)	(27,633)
Proceeds from the disposal of property	702	0	702
Proceeds from issuance of revenue bonds	0	54,718	54,718
Proceeds from capital leases	0	63,241	63,241
Total other financing sources(uses)	702	96,650	97,352
Net change in fund balances	(311,213)	(10,999)	(322,212)
Fund balance beginning of year	916,949	178,439	1,095,388
Fund balance end of year	\$ 605,736	167,440	773,176

SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ (322,212)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 349,070	
Depreciation expense	<u>(108,666)</u>	240,404

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (1,043)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ (117,959)	
Repaid	<u>6,324</u>	(111,635)

Changes in net assets of governmental activities (page 14) \$ (194,486)

SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-Type Activities	
	Enterprise: Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
ASSETS		
Cash and pooled investments	\$ 53,483	20,841
Inventories	6,352	0
Capital assets, net of accumulated depreciation (Note 4)	10,726	0
TOTAL ASSETS	70,561	20,841
LIABILITIES		
Salaries and benefits payable	2,366	0
Unearned revenue	766	0
TOTAL LIABILITIES	3,132	0
NET ASSETS		
Invested in capital assets, net of related debt	10,726	0
Unrestricted	56,703	20,841
TOTAL NET ASSETS	\$ 67,429	20,841

SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 89,965	3,915
TOTAL OPERATING REVENUES	<u>89,965</u>	<u>3,915</u>
OPERATING EXPENSES:		
Support services:		
Administrative services:		
Benefits	0	6,078
Operation and maintenance of plant services:		
Services	<u>1,535</u>	<u>0</u>
Total support services	<u>1,535</u>	<u>6,078</u>
Non-instructional programs:		
Food service operations:		
Salaries	56,082	0
Benefits	7,437	0
Supplies	86,324	0
Other	71	0
Depreciation	1,627	0
Total non-instructional programs	<u>151,541</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>153,076</u>	<u>6,078</u>
OPERATING LOSS	(63,111)	(2,163)
NON-OPERATING REVENUES:		
State sources	2,225	0
Federal sources	68,015	0
Interest on investments	2,672	1,120
TOTAL NON-OPERATING REVENUES	<u>72,912</u>	<u>1,120</u>
Change in net assets	9,801	(1,043)
Net assets beginning of year	<u>57,628</u>	<u>21,884</u>
Net assets end of year	<u>\$ 67,429</u>	<u>20,841</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 88,630	0
Cash received from miscellaneous	916	3,915
Cash payments to employees for services	(63,605)	(6,078)
Cash payments to suppliers for goods or services	(78,184)	0
Net cash used in operating activities	(52,243)	(2,163)
Cash flows from non-capital financing activities:		
State grants received	2,225	0
Federal grants received	55,302	0
Net cash provided by non-capital financing activities	57,527	0
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,800)	0
Net cash used in capital and related financing activities	(1,800)	0
Cash flows from investing activities:		
Interest on investments	2,672	1,120
Net cash provided by investing activities	2,672	1,120
Net increase(decrease) in cash and cash equivalents	6,156	(1,043)
Cash and cash equivalents at beginning of year	47,327	21,884
Cash and cash equivalents at end of year	\$ 53,483	20,841
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (63,111)	(2,163)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	12,713	0
Depreciation	1,627	0
Increase in inventories	(2,967)	0
Decrease in salaries and benefits payable	(86)	0
Decrease in deferred revenue	(419)	0
Net cash used in operating activities	\$ (52,243)	(2,163)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 53,483	20,841

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received
Federal commodities valued at \$12,713.
SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 31,277
Total assets	<u>31,277</u>
Liabilities	
Total liabilities	<u>0</u>
Net assets	
Reserved for scholarships	31,277
Total net assets	<u>\$ 31,277</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 9,958
Interest income	1,151
Total additions	<u>11,109</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>1,141</u>
Change in net assets	9,968
Other financing sources:	
Transfer in	<u>21,309</u>
Change in net assets	31,277
Net assets beginning of year	<u>0</u>
Net assets end of year	<u><u>\$ 31,277</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The East Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Miles and Sabula, Iowa, and the predominate agricultural territory in Clinton and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, East Central Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The East Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clinton and Jackson Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is the Private Purpose Trust Fund.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services and other expenses functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 33,557

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 6,324
Private Purpose Trust	Expendable Trust	21,309
Total		\$ 27,633

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Capital Projects Fund transferred to the Debt Service Fund to pay revenue bonds.

The Expendable Trust Fund was transferred to the Private Purpose Trust Fund to remove the Trust from the governmental financial statements and shown now as fiduciary.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 34,150	1,800	3,695	32,255
Less accumulated depreciation	23,597	1,627	3,695	21,529
Business-type activities capital assets, net	\$ 10,553	173	0	10,726

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,827	0	0	6,827
Total capital assets not being depreciated	6,827	0	0	6,827
Capital assets being depreciated:				
Buildings	1,133,419	75,915	0	1,209,334
Land improvements	456,068	184,187	0	640,255
Machinery and equipment	1,694,078	88,968	69,179	1,713,867
Total capital assets being depreciated	3,283,565	349,070	69,179	3,563,456
Less accumulated depreciation for:				
Buildings	851,494	19,555	0	871,049
Land improvements	234,920	26,072	0	260,992
Machinery and equipment	1,560,874	63,039	69,179	1,554,734
Total accumulated depreciation	2,647,288	108,666	69,179	2,686,775
Total capital assets being depreciated, net	636,277	240,404	0	876,681
Governmental activities capital assets, net	\$ 643,104	240,404	0	883,508

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 24,048
Other	592
Support services:	
Student	1,685
Instructional staff	2,890
Operation and maintenance	1,856
Transportation	31,968
	63,039
Unallocated depreciation	45,627
Total governmental activities depreciation expense	\$ 108,666
Business-type activities:	
Food services	\$ 1,627
Total business-type activities depreciation expense	\$ 1,627

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 0	117,959	6,324	111,635	23,592

Revenue Bonds Payable

During the year ended June 30, 2007, the District issued revenue bonds for playground equipment and playground resurfacing projects. Both loans are recorded with a zero percent interest rate. The bonds will be repaid with local option sales and services taxes collected in the Capital Projects Fund. Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue date of June 1, 2007			Issue date of January 24, 2007			
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Total
2008	- % \$	10,944	-	- % \$	12,648	-	23,592
2009	-	10,943	-	-	12,648	-	23,591
2010	-	10,944	-	-	12,648	-	23,592
2011	-	10,943	-	-	12,648	-	23,591
2012	-	10,944	-	-	6,325	-	17,269
Total		\$ 54,718	-		\$ 56,917	-	111,635

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$121,639, \$114,529, and \$113,024, respectively, equal to the required contributions for each year.

(7) Risk Management

East Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$125,402 for

the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed the certified budget amounts. During the year ended June 30, 2007 expenditures in the support services and other expenses functions exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,725,435	92,637	1,818,072	1,660,418	1,660,418	157,654
State sources	1,877,872	2,225	1,880,097	2,043,336	2,043,336	(163,239)
Federal sources	135,501	68,015	203,516	195,000	195,000	8,516
Total revenues	3,738,808	162,877	3,901,685	3,898,754	3,898,754	2,931
Expenditures:						
Instruction	2,467,936	0	2,467,936	2,659,449	2,659,449	191,513
Support services	1,225,595	1,535	1,227,130	1,066,074	1,066,074	(161,056)
Non-instructional programs	0	151,541	151,541	168,100	168,100	16,559
Other expenditures	464,841	0	464,841	320,576	320,576	(144,265)
Total expenditures	4,158,372	153,076	4,311,448	4,214,199	4,214,199	(97,249)
Excess(deficiency) of revenues over(under) expenditures	(419,564)	9,801	(409,763)	(315,445)	(315,445)	(94,318)
Other financing sources, net	97,352	0	97,352	1,500	1,500	95,852
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(322,212)	9,801	(312,411)	(313,945)	(313,945)	1,534
Balance beginning of year	1,095,388	57,628	1,153,016	919,690	919,690	233,326
Balance end of year	\$ 773,176	67,429	840,605	605,745	605,745	234,860

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the support services and other expenses functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Nonmajor Special Revenue Funds				Total	
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 63,777	36,486	819	101,082	11,392	112,474
Receivables:						
Property tax:						
Current year delinquent	2,248	0	891	3,139	0	3,139
Succeeding year	23,093	0	31,276	54,369	0	54,369
Due from other governments	0	0	0	0	56,910	56,910
TOTAL ASSETS	\$ 89,118	36,486	32,986	158,590	68,302	226,892
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	1,053	0	1,053	1,237	2,290
Salaries and benefits payable	0	0	0	0	2,793	2,793
Deferred revenue:						
Succeeding year property tax	23,093	0	31,276	54,369	0	54,369
TOTAL LIABILITIES	23,093	1,053	31,276	55,422	4,030	59,452
Fund balances:						
Unreserved	66,025	35,433	1,710	103,168	64,272	167,440
TOTAL LIABILITIES AND FUND BALANCES	\$ 89,118	36,486	32,986	158,590	68,302	226,892

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						Total	
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:								
Local sources:								
Local tax	\$ 81,072	0	30,790	0	111,862	237,964	0	349,826
Other	6,596	63,552	328	0	70,476	1,990	0	72,466
State sources	64	0	24	0	88	0	0	88
TOTAL REVENUES	87,732	63,552	31,142	0	182,426	239,954	0	422,380
EXPENDITURES:								
Current:								
Instruction:								
Regular instruction	6,412	0	2,014	0	8,426	0	0	8,426
Other instruction	0	67,821	0	0	67,821	0	0	67,821
Support services:								
Administration services	135	0	0	0	135	0	0	135
Operation and maintenance of plant services	35,577	0	0	0	35,577	0	0	35,577
Student transportation	13,555	0	50,076	0	63,631	15,000	0	78,631
Other expenditures:								
Facilities acquisitions	0	0	3,251	0	3,251	329,864	0	333,115
Long-term debt:								
Principal	0	0	0	0	0	0	6,324	6,324
TOTAL EXPENDITURES	55,679	67,821	55,341	0	178,841	344,864	6,324	530,029
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	32,053	(4,269)	(24,199)	0	3,585	(104,910)	(6,324)	(107,649)
OTHER FINANCING SOURCES (USES):								
Transfers in	0	0	0	0	0	0	6,324	6,324
Transfers out	0	0	0	(21,309)	(21,309)	(6,324)	0	(27,633)
Proceeds from issuance of revenue bonds	0	0	0	0	0	54,718	0	54,718
Proceeds from capital leases	0	0	0	0	0	63,241	0	63,241
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	(21,309)	(21,309)	111,635	6,324	96,650
Net change in fund balances	32,053	(4,269)	(24,199)	(21,309)	(17,724)	6,725	0	(10,999)
Fund balances beginning of year	33,972	39,702	25,909	21,309	120,892	57,547	0	178,439
Fund balances end of year	\$ 66,025	35,433	1,710	0	103,168	64,272	0	167,440

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletic	\$ 7,745	33,826	40,227	1,344
Girls BB Camp	56	1,427	0	1,483
FB Camp	1,305	0	0	1,305
VB Camp	1,605	1,716	1,963	1,358
Softball	146	0	0	146
Concession	0	5,983	5,983	0
Miscellaneous	13,034	6,431	6,108	13,357
Project Grad.	1,608	1,509	1,142	1,975
Speech and Drama	2,030	393	311	2,112
Student Council	888	608	691	805
Student of the Month	132	0	0	132
Student Pictures	0	437	437	0
State Tournament	1,372	0	864	508
Class of 2006	74	0	74	0
Class of 2007	1,314	170	1,484	0
Class of 2008	1,611	4,875	5,360	1,126
Class of 2009	1,134	2,313	1,344	2,103
German	380	0	0	380
Stand Chapter	226	0	0	226
Career Day	261	0	0	261
Middle School	3,048	1,745	1,583	3,210
Boys BB Camp	0	415	250	165
Activity Interest	1,733	1,704	0	3,437
Total	\$ 39,702	63,552	67,821	35,433

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
FIDUCIARY FUND, PRIVATE PURPOSE TRUST
JUNE 30, 2007

	Private Purpose Trust - Scholarship Fund										
	Wosoba	Nelson	Wilcke	Wiese	Wilcke-Treloar	Gray	Johnson/Faur				
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Total	
ASSETS											
Cash and pooled investments	\$ 7,070	6,735	5,459	1,813	3,405	1,795	5,000			31,277	
TOTAL ASSETS	<u>7,070</u>	<u>6,735</u>	<u>5,459</u>	<u>1,813</u>	<u>3,405</u>	<u>1,795</u>	<u>5,000</u>			<u>31,277</u>	
LIABILITIES											
	0	0	0	0	0	0	0	0	0	0	
NET ASSETS											
Reserved for scholarships	\$ 7,070	6,735	5,459	1,813	3,405	1,795	5,000			31,277	

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

Modified Accrual Basis				
Years Ended June 30,				
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 1,472,155	1,517,353	1,477,448	1,522,638
Tuition	92,634	137,127	119,026	146,690
Other	160,646	190,271	153,067	190,189
Intermediate sources	0	0	0	91
State sources	1,877,872	1,826,581	1,777,127	1,791,963
Federal sources	135,501	133,826	152,006	295,677
Total	<u>\$ 3,738,808</u>	<u>3,805,158</u>	<u>3,678,674</u>	<u>3,947,248</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,562,016	1,506,438	1,510,285	1,457,712
Special instruction	588,486	485,542	508,382	525,033
Other instruction	317,434	342,872	295,904	297,170
Support services:				
Student services	124,014	97,315	97,504	94,974
Instructional staff services	181,098	107,433	59,575	97,051
Administration services	371,727	355,897	332,769	307,041
Operation and maintenance of plant services	275,276	482,825	262,212	233,996
Transportation services	273,480	198,077	181,373	202,919
Non-instructional programs	0	3,758	0	0
Other expenditures:				
Facilities acquisitions	333,115	36,306	253,025	107,064
Long-term debt:				
Principal	6,324	0	0	0
AEA flow-through	125,402	122,030	120,862	123,726
Total	<u>\$ 4,158,372</u>	<u>3,738,493</u>	<u>3,621,891</u>	<u>3,446,686</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
East Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Central Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of East Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects East Central Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of East Central Community School District's financial statements that is more than inconsequential will not be prevented or detected by East Central Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by East Central Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

East Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit East Central Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of East Central Community School District and other parties to whom East Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2008

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review their control procedures and obtain the maximum internal control possible with our limited number of employees.

Conclusion - Response accepted.

I-B-07 Appraisal Fee - We noted during our audit that the fixed assets appraisal cost of \$2,500 was not repaid to the Management Levy Fund from the fiscal 2004 year.

Recommendation - The District should transfer \$2,500 from the General Fund to the Management Levy Fund to pay for the fixed asset appraisal.

Response - The District will have this done.

Conclusion - Response accepted.

I-C-07 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - Interest should be allocated out to various accounts on a annual basis.

Response - The District will do this.

Conclusion - Response accepted.

I-D-07 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be review every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District is in the process of doing this.

Conclusion - Response accepted.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - Expenditures for the year ended June 30, 2007 exceeded the amended certified budget amounts in the support services and other expenses functions.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will monitor expenditures for all functions and make amendments to the certified budget when necessary.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required; however, we are unable to control the publishing dates.

Conclusion - Response accepted.

- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

- II-J-07 Competitive Bid and Notice of Public Hearing for Public Improvements - The District did not competitively bid the playground improvement project exceeding the threshold of

\$100,000 established by Chapter 26.3 of the Code of Iowa. The District did not publish a notice of public hearing on the Building Improvement project in the time period required by Chapter 26.2 through 26.13 of the Code of Iowa.

Recommendation - The District should review Chapter 26.2 through 26.13 of the Code of Iowa with regards to public improvement projects. The District should review procedures in place for future capital improvement projects requiring competitive bids and public hearings.

Response - The District will follow the correct procedures.

Conclusion - Response accepted.

II-K-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - The District will be checking with the bank to have this done.

Conclusion - Response accepted.